FEDERAL ENERGY REGULATORY COMMISSION WASHINGTON, D.C. 20426



Office of Commissioner Tony Clark

January 12, 2015

The Honorable Lisa Murkowski Chairman Committee on Energy and Natural Resources United States Senate Washington, DC 20510

The Honorable Fred Upton Chairman Committee on Energy and Commerce United States House of Representatives Washington, DC 20515

The Honorable Ed Whitfield Chairman Subcommittee on Energy and Power United States House of Representatives Washington, DC 20515

Dear Senator Murkowski, Representative Upton, and Representative Whitfield:

Thank you for your interest in our work at the Federal Energy Regulatory Commission (FERC), and for providing me with an opportunity to express my views. Enclosed are my responses to questions that I received from you on December 22, 2014.

Sincerely

Tony Clark

1/12/15 Responses of Commissioner Tony Clark

1. EPA officials have asserted that staff at FERC actively participated in the development of the Clean Power Plan proposal. Are you aware of, or have you or your staff personally participated in, any meetings or conversations that would support EPA's view of FERC's participation?

Answer: Neither I nor my staff participated in meetings or conversations that would support the contention that FERC actively participated in the development of the Clean Power Plan (CPP). With regard to FERC staff generally, I believe it unreasonable to conclude that FERC meaningfully or substantially participated in the plan's development.

2. Given the December 3 correspondence and the attachments, what, if anything, can you tell us about the nature and subject matter of any or all of the listed meetings?

Answer: Given that neither I nor my staff participated in the meetings, I cannot speak first-hand about the nature or subject matter of the listed meetings. However, the December 3 correspondence corroborates previous discussions I have had with FERC staff, in which they described FERC input to EPA as a handful of high-level, general discussions based on a limited review of only portions of the CPP proposal that were provided to FERC.

3. Based on the December 3 correspondence, what conclusions, if any, do you draw concerning the quality and impact of FERC's interaction with EPA as it relates to ensuring that EPA rules do not unduly burden electric reliability?

Answer: As I noted previously, I believe it would be incorrect to suggest that FERC and its staff have had a significant or meaningful role in providing EPA the sort of detailed, technical analysis that will be required to ensure the CPP does not impact grid reliability. According to the information supplied by Chairman LaFleur, FERC staff only discussed the CPP with EPA staff on five occasions prior to the release of the CPP on June 2, 2014, and on only three occasions since its release.

Altogether, the limited input provided by FERC staff to the EPA and the lack of input from the Commissioners reinforces the notion that the meetings with EPA were insubstantial in shaping the CPP proposal and mitigating potential reliability impacts. Nothing I have seen before or since would suggest otherwise.

In the case of the Mercury and Air Toxics Standards, the Commission is positioned to advise EPA on reliability issues created by the rule and recently did

¹ Policy Statement on the Commission's Role Regarding the Environmental Protection Agency's Mercury and Air Toxics Standards, 139 FERC ¶ 61,131 (2012).

1/12/15 Responses of Commissioner Tony Clark

so in relation to a request for administrative order filed by the Kansas City Board of Public Utilities.²

4. To your knowledge, was FERC staff permitted access to EPA documents and proposals or otherwise afforded an opportunity for considered interaction on the substance of the Clean Power Plan proposal?

Answer: It is my understanding that FERC staff was allowed to review a portion of the CPP before its release. As described in Chairman LaFleur's December 3 response letter, during an April 23, 2014 telephone conference, FERC staff provided feedback to the EPA on potential reliability concerns with the draft CPP proposal, including concerns related to EPA's building blocks and the need for a reliability safety valve. While I subsequently received a description of FERC staff's meeting, I am not aware of the extent to which FERC staff's suggestions were taken into account by the EPA before the CPP proposal was released.

5. Other than through the announced technical conferences, do you yourself presently anticipate future involvement with EPA before the Clean Power Plan rule or any other pending major EPA rulemaking that in your judgment is likely to bear on electric reliability is made final?

Answer: In the short term, I anticipate the Technical Conferences on Environmental Regulations and Electric Reliability, Wholesale Electricity Markets, and Energy Infrastructure in FERC Docket No. AD15-4-000 (Technical Conferences) will be the primary avenue for me to individually raise and pursue concerns with the EPA about grid reliability and impending EPA regulations. In addition, I will continue to discuss these matters in my interactions with Congress. I also regularly interact with state officials and policymakers, utility operators and others across the public and private sectors on these matters through a number of formal and informal venues. With regard to substantive inter-agency dialogue, I stand willing and able to provide input, but because it is the EPA that is seeking to promulgate this rule, it is the EPA that will have to decide how and to what degree it will solicit and take into account the input of FERC Commissioners.

6. At this time are you aware of any established or forthcoming plan by EPA or the FERC staff to include you or your staff in substantive inter-agency interactions on these matters?

Answer: No, not beyond the established Technical Conferences.

² Kansas City Bd. of Pub. Util., 149 FERC ¶ 61,138 (2014).

1/12/15 Responses of Commissioner Tony Clark

7. Based upon your personal knowledge, in its interactions with EPA concerning proposed or final major EPA rules that bear on electric reliability, has FERC acted adequately to protect electric reliability? If your answer is yes, please identify the facts that support your view.

Answer:

To the degree the U.S. has not had a major reliability event related to the implementation of EPA rules, and to the extent that Commissioners and FERC staff have advocated for a reliability safety valve, it could be stated that FERC has acted to promote reliable grid operations. Yet FERC has not previously had to deal with widespread reliability issues triggered by EPA regulations because those regulations have historically been imposed during a time of generous electricity capacity reserves nationwide. Unfortunately, this is a luxury we no longer have.

In many regions of the country once-plush reserve margins are shrinking dramatically as traditional sources of baseload generation are retiring in substantial numbers. FERC is seeing a raft of dockets related to capacity challenges, indicating that the grid is operating with much less room for error.

While FERC is not the agency that imposes the environmental regulations that are so affecting the grid, it is FERC that has to deal with the real world implications of those regulations. In a situation where there is inadequate generation capacity to meet demand, regulators are faced with the unenviable task of choosing between allowing prices to rise to their natural equilibrium point, or letting reliability suffer through more forced load-shed events. Because reliability coordinators, grid operators, and regulators seek to avoid widespread load-shed events, consumers can expect to see more frequent price increases as reserve margins shrink to inadequate levels. This is why I have said that reliability and price are two sides of the same coin. Through various mechanisms and cases that have come before the Commission, I have attempted to make decisions that put reliability first in order to protect the public interest. At the same time, these can sometimes be decisions that are politically unpopular because they may entail higher prices for consumers. Yet as a regulator of public utilities that are directly impacted by far-reaching environmental regulations and ever-changing economic conditions, these are the tough decisions that have to be made if electric reliability is to be maintained for the good of consumers.

FEDERAL ENERGY REGULATORY COMMISSION WASHINGTON, D.C. 20426

OFFICE OF THE COMMISSIONER

January 12, 2015

Honorable Fred Upton	Honorable Ed Whitfield	Honorable Lisa Murkowski
Chairman	Chairman	Chair
Committee on Energy &	Subcommittee on Energy &	Committee on Energy &
Commerce	Power	Natural Resources
U.S. House of Representatives	U.S. House of Representatives	U.S. Senate
Washington DC 20515	Washington, DC 20515	Washington, DC 20510

Dear Chair Murkowski, Chairman Upton, and Chairman Whitfield:

Thank you for your letter of December 22, 2014 regarding communications between the Commission and the Environmental Protection Agency ("EPA") regarding the EPA's Clean Power Plan. My responses to your questions are set forth below.

1. EPA officials have asserted that staff at FERC actively participated in the development of the Clean Power Plan proposal. Are you aware of, or have you or your staff personally participated in, any meetings or conservations that would support EPA's view of FERC's participation?

Answer: EPA issued its Clean Power Plan proposal in June 2014. At that time, I was the Director of the FERC's Office of Enforcement. In my duties as Director of the Office of Enforcement, neither I, nor my staff, had any consultation with EPA regarding the proposal. As to FERC's general participation, I am not aware of any meetings or conversations beyond those listed in Chairman LaFleur's December 3, 2014 letter to Chairman Upton.

2. Given the December 3 correspondence and the attachments, what, if anything, can you tell us about the nature and subject matter of any or all of the listed meetings?

Answer: I did not participate in the meetings and conversations listed in the Chairman's December 3, 2014 letter.

3. Based on the December 3 correspondence, what conclusions, if any, do you draw concerning the quality and impact of FERC's interaction with EPA as it relates to ensuring that EPA rules do not unduly burden electric reliability?

Answer: I was not personally involved with the meetings and conversations listed in the Chairman's December 3, 2014 letter with respect to the EPA's Clean Power Plan. That being said, in May 2012 the Commission issued a Policy Statement in which it explained how it will provide technical advice to the EPA on requests for a Mercury and Air Toxics Standards ("MATS") administrative order. I understand that on a number of occasions FERC staff have discussed MATS-related issues with the EPA and regional transmission organizations ("RTOs")

November 20, 2014, FERC issued comments in which it concluded that a "unit [that sought an administrative order] is needed as requested . . . to maintain electric reliability." I also understand that in November 2013 staff from the Department of Energy ("DOE"), EPA, and FERC jointly developed a coordination memorandum to identify how the agencies would work together to address the potential effect of EPA regulations on reliability. In August 2014, the Government Accountability Office said that "DOE, EPA, and FERC have taken initial steps to monitor industry progress responding to EPA regulations including jointly conducting regular meetings with key industry stakeholders."

4. To your knowledge, was FERC staff permitted access to EPA documents or proposals or otherwise afforded an opportunity for considered interaction on the substance of the Clean Power Plan proposal?

Answer: I do not have personal knowledge of the extent to which EPA permitted FERC staff to access EPA documents or proposals regarding the substance of the Clean Power Plan proposal.

5. Other than through the announced technical conferences, do you yourself presently anticipate future involvement with EPA before the Clean Power Plan rule or any other pending major EPA rulemaking that in your judgment is likely to bear on electric reliability is made final?

Answer: As you know, the Commission will hold a series of technical conferences in February and March to explore the potential implications of the Clean Power Plan on the reliability of the electric grid, infrastructure needs that may arise from state or regional compliance efforts, and on FERC-jurisdictional markets. The results of those technical conferences, along with continued analysis by FERC staff, will guide the Commission's future involvement with the EPA regarding the Clean Power Plan proposal.

As a general matter, I believe the Commission can help maintain grid reliability through open communication and a strong working relationship with EPA, DOE, the states, the North American Electric Reliability Corporation ("NERC"), RTOs, ISOs, and industry.

6. At this time are you aware of any established or forthcoming plan by the EPA or the FERC staff to include you or your staff in substantive inter-agency interactions on these matters?

Answer: Other than the upcoming technical conferences, I am not presently aware of any established or forthcoming plans by EPA or FERC staff to include my staff or me in substantive inter-agency interactions regarding the Clean Power Plan. Of course, FERC will continue to be involved with MATS-related issues, both at the staff and Commission level, particularly when the EPA seeks FERC's advice in evaluating a request for an administrative order.

7. Based upon your personal knowledge, in its interactions with EPA concerning proposed or final major EPA rules that bear on electric reliability, has FERC acted adequately to protect electric reliability? If your answer is yes, please identify the facts that support your view.

Answer: I have not personally participated in the interactions between FERC staff and EPA regarding the Clean Power Plan or other EPA rules that bear on electric reliability. That said, I understand that staff from FERC, DOE and EPA have developed a coordination memorandum outlining how the agencies would work together to address the potential reliability impacts of EPA regulations. To the end, as outlined in Chairman LaFleur's December 3, 2014 letter, FERC staff have met with EPA on a number of occasions regarding the Clean Power Plan and other EPA rules affecting the power industry. And the Commission recently responded to EPA's first formal request for assistance in connection with a reliability-related request for an extension of time to comply with the agency's MATS rule. Moreover, the Commission recently issued its supplemental notice regarding the technical conferences it will hold on the implications of compliance approaches to the Clean Power Plan. There will be a national overview technical conference and three regional conferences, which will focus on issues related to electric reliability, wholesale electric markets and operations, and energy infrastructure.

The reliability implications of the Clean Power Plan will largely arise from the compliance plans that will be developed by states or regions. As a result, good communication and planning by and among key stakeholders, including FERC, EPA, DOE, state officials, NERC, RTOs/ISOs, and industry will be critical. I believe the Commission's recently-announced technical conferences are an important step in fostering a meaningful discussion of those potential issues. The Commission will also continue to work with the National Association of Regulatory Utility Commissioners ("NARUC"), and two former NARUC Presidents are now members of the Commission.

Thank you for your inquiry. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,

Norman C. Bay Commissioner

Van C. B.

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D. C. 20426

January 12, 2015

The Honorable Fred Upton Chairman Energy & Commerce Committee U.S. House of Representatives Washington, D.C. 20515

Dear Chairman Upton:

Thank you for allowing me to respond to your December 22, 2014, letter concerning the coordination between the Federal Energy Regulatory Commission (FERC or Commission) and the Environmental Protection Agency (EPA) in developing EPA's Clean Power Plan and other major EPA rulemakings.

Because of my recent arrival on the Commission, I do not have first-hand knowledge of the extent of the collaboration between FERC and EPA on EPA's rulemakings. However, in both my roles as the Chairman of the Arkansas Public Service Commission and as President of the National Association of Regulatory Utility Commissioners, I have convened meetings to discuss these rules. I understand the importance of coordination on matters that could affect the electric industry and note that GAO recently issued a report recognizing that FERC, EPA and the Department of Energy jointly conduct regular meetings with key industry stakeholders concerning EPA regulations. I fully support any effort by FERC and EPA to coordinate on issues concerning the reliability of the grid. I am pleased that FERC is holding technical conferences to discuss issues related to the effects of the Clean Power Plan on electric reliability, wholesale electric markets and operations, and energy infrastructure. I look forward to discussing these issues with my colleagues and stakeholders.

Reliability is of vital importance to this country, was a top priority for me in my daily work as Chairman of the Arkansas PSC and as President of NARUC, and will continue to be a top priority in my new role as a Commissioner at FERC. I look forward to continuing to discuss these issues with you.

Thank you,

Colette D. Honorable

Colette Donor So

Commissioner

Responses of Colette D. Honorable

Commissioner

1. EPA officials have asserted that staff at FERC actively participated in the development of the Clean Power Plan Proposal. Are you aware of, or have you or your staff personally participated in, any meetings or conversations that would support EPA's view of FERC's participation?

<u>Answer</u>: Because of my recent arrival on the Commission, I do not have first-hand knowledge of the extent of the collaboration between FERC and EPA on EPA's rulemakings.

2. Given the December 3 correspondence and the attachments, what, if anything, can you tell us about the nature and subject matter of any or all of the listed meetings?

<u>Answer</u>: See my response to question 1.

3. Based on the December 3 correspondence, what conclusions, if any, do you draw concerning the quality and impact of FERC's interaction with EPA as it relates to ensuring that EPA rules do not unduly burden electricity reliability?

<u>Answer</u>: As someone who has just joined the Commission, I am reluctant to draw conclusions on the interactions between FERC and EPA solely based on the December 3 correspondence. However, I look forward to discussing these issues with my colleagues and stakeholders.

4. To your knowledge, was FERC staff permitted access to EPA documents and proposals or otherwise afforded an opportunity for considered interaction on the substance of the Clean Power Plan proposal?

Answer: My understanding is that FERC staff had discussions with the EPA and provided input to the EPA on its proposal before its issuance through the Office of Management and Budget (OMB) interagency review process.

¹ See EPA's Proposed Carbon Dioxide Regulations for Power Plants Before the H. Subcomm. on Energy and Power. Comm. on Energy and Commerce, 113th Cong. (June 19, 2014). EPA Acting Assistant Administrator Janet McCabe testified that "I or my staff have consulted with staff at FERC. They are part of the interagency review process that we always go through, and so they have given us their input on electric reliability." Id. See also Erica Martinson, Whiteboard Archives: EPA Working with FERC On Coal Rules, POLITICO PRO, October 28, 2014 (quoting EPA's Associate Administrator for the Office of Policy as saying: "I think that we're closely in contact with FERC. There's a lot more impact from FERC on EPA's rules that there [sic] is from EPA on FERC's rules.").

5. Other than through the announced technical conferences, do you yourself presently anticipate future involvement with EPA before the Clean Power Plan rule or any other pending major EPA rulemaking that in your judgment is likely to bear on electric reliability is made final?

<u>Answer</u>: I would be interested in engaging with EPA on this matter, and am open to a variety of means for doing so, including the upcoming technical conferences to be held by FERC.

6. At this time are you aware of any established or forthcoming plan by EPA or the FERC staff to include you or your staff in substantive inter-agency interactions on these matters?

Answer: At this time, I am not aware of any such plans, but at a minimum I would expect to share my views on these matters with FERC's Chairman.

7. Based upon your personal knowledge, in its interactions with EPA concerning proposed or final major EPA rules that bear on electric reliability, has FERC acted adequately to protect electric reliability? If your answer is yes, please identify the facts that support your view.

Answer: See my response to question 1.

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D. C. 20426

January 12, 2015

The Honorable Ed Whitfield Chairman Subcommittee on Energy & Power U.S. House of Representatives Washington, D.C. 20515

Dear Chairman Whitfield:

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Because of my recent arrival on the Commission, I do not have first-hand knowledge of the extent of the collaboration between FERC and EPA on EPA's rulemakings. However, in both my roles as the Chairman of the Arkansas Public Service Commission and as President of the National Association of Regulatory Utility Commissioners, I have convened meetings to discuss these rules. I understand the importance of coordination on matters that could affect the electric industry and note that GAO recently issued a report recognizing that FERC, EPA and the Department of Energy jointly conduct regular meetings with key industry stakeholders concerning EPA regulations. I fully support any effort by FERC and EPA to coordinate on issues concerning the reliability of the grid. I am pleased that FERC is holding technical conferences to discuss issues related to the effects of the Clean Power Plan on electric reliability, wholesale electric markets and operations, and energy infrastructure. I look forward to discussing these issues with my colleagues and stakeholders.

Reliability is of vital importance to this country, was a top priority for me in my daily work as Chairman of the Arkansas PSC and as President of NARUC, and will continue to be a top priority in my new role as a Commissioner at FERC. I look forward to continuing to discuss these issues with you.

Thank you,

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<u>Answer</u>: Because of my recent arrival on the Commission, I do not have first-hand knowledge of the extent of the collaboration between FERC and EPA on EPA's rulemakings.

2. Given the December 3 correspondence and the attachments, what, if anything, can you tell us about the nature and subject matter of any or all of the listed meetings?

Answer: See my response to question 1.

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<u>Answer</u>: As someone who has just joined the Commission, I am reluctant to draw conclusions on the interactions between FERC and EPA solely based on the December 3 correspondence. However, I look forward to discussing these issues with my colleagues and stakeholders.

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Answer: My understanding is that FERC staff had discussions with the EPA and provided input to the EPA on its proposal before its issuance through the Office of Management and Budget (OMB) interagency review process.

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<u>Answer</u>: I would be interested in engaging with EPA on this matter, and am open to a variety of means for doing so, including the upcoming technical conferences to be held by FERC.

6. At this time are you aware of any established or forthcoming plan by EPA or the FERC staff to include you or your staff in substantive inter-agency interactions on these matters?

Answer: At this time, I am not aware of any such plans, but at a minimum I would expect to share my views on these matters with FERC's Chairman.

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<u>Answer</u>: See my response to question 1.

FEDERAL ENERGY REGULATORY COMMISSION

Office of The Commissioner

January 12, 2015

The Honorable Lisa Murkowski Chairman Committee on Energy & Natural Resources U.S. Senate Washington, D.C. 20510

The Honorable Fred Upton Chairman Energy & Commerce Committee U.S. House of Representatives Washington, D.C. 20515

The Honorable Ed Whitfield Chairman Subcommittee on Energy & Power U.S. House of Representatives Washington, D.C. 20515

Dear Chairman Murkowski, Chairman Upton, Chairman Whitfield:

Thank you for your letter of December 22, 2014 regarding coordination between the Commission and EPA over the development of EPA's Clean Power Plan. Here are my responses to your questions:

1. EPA officials have asserted that staff at FERC actively participated in the development of the Clean Power Plan proposal. Are you aware of, or have you or your staff personally participated in, any meetings or conversations that would support EPA's view of FERC's participation?

Answer: I have not participated in the development of the Clean Power Plan proposal nor has any of my staff. As previously disclosed, one of my advisors, Robert Ivanauskas, attended one private meeting prior to release of the rule which included Joe Goffman, Janet McCabe, and Chairman Cheryl LaFleur. Although EPA brought some documents to that meeting, EPA decided not to allow FERC to look at those documents. Both Mr. Ivanauskas and I received a very short oral briefing on the plan from Michael Bardee on Monday, April 28, 2014. Again, these were not meetings where any concepts were developed, nor was any feedback elicited from me regarding the proposal.

2. Given the December 3 correspondence and the attachments, what, if anything, can you tell us about the nature and subject matter of any or all of the listed meetings?

Answer: As I was not invited to participate in any of these meetings, and since I therefore did not attend any of these meetings, I can only speculate on the nature and subject matter involved.

3. Based on the December 3 correspondence, what conclusions, if any, do you draw concerning the quality and impact of FERC's interaction with EPA as it relates to ensuring that EPA rules do not unduly burden electric reliability?

Answer: My ongoing concern is that, despite its expertise as an environmental regulatory agency, EPA lacks sufficient understanding and expertise to fully consider the reliability impacts of their proposed rules on the nation's electric and natural gas sectors. In addition, EPA appears to lack an appreciation for the complexity of energy markets, and lacks an appreciation of the challenges in financing and siting new natural gas pipelines, electric generation, and electric transmission. Without recognition and at least partial resolution of these challenges, I believe the CPP will threaten reliability given the extent to which requirements are front-loaded to 2020. Hence, FERC interaction with EPA on this subject should be more frequent and extensive.

4. To your knowledge, was FERC staff permitted access to EPA documents and proposals or otherwise afforded an opportunity for considered interaction on the substance of the Clean Power Plan proposal?

Answer: I was told by Mr. Bardee that he was allowed to view a version of the proposal, but was not allowed to have a copy or even write notes at the time that he viewed it. I believe this meeting was held in April 2014. It is not clear to me the extent to which EPA requested FERC staff perspectives on the proposal, but it's difficult to imagine that any suggestions from FERC staff were incorporated into the proposal. My overwhelming concern is that there are examples where the CPP includes incorrect assumptions about existing conditions within the energy network and how the CPP would affect various states. For example, representatives of the Salt River Project provided great detail on how the CPP includes inaccurate assumptions about power flow dynamics in Arizona and surrounding states, with severe implications for the reliability of the Southwest region. Any inaccurate assumptions are particularly problematic for a state like Arizona, which faces a final goal of a 52% reduction in CO2 emissions from a 2012 level of 1,453 lbs/MWh to 702 lbs/MWh by 2030.

5. Other than through the announced technical conferences, do you yourself presently anticipate future involvement with EPA before the Clean Power Plan rule or any other pending major EPA rulemaking that in your judgment is likely to bear on electric reliability is made final?

Answer: I will continue to provide written comments when appropriate, and would welcome a more formal role for this Commission as it deals with the reliability implications and economic ramifications of the CPP.

6. At this time are you aware of any established or forthcoming plan by EPA or the FERC staff to include you or your staff in substantive inter-agency interactions on these matters?

Answer: No, and I think that is unfortunate. My motivation has been to raise substantive questions and focus on the engineering aspects of the existing grid and how the grid could change under the CPP. I would hope EPA wants its rule to actually work to accomplish a defined objective at the lowest possible cost and without endangering reliability. I do not believe the proposed rule would pass this test. I continue to advocate for a more formal role for FERC, and if I am involved I will work to make such an effort productive, open, and transparent.

7. Based upon your personal knowledge, in its interactions with EPA concerning proposed or final major EPA rules that bear on electric reliability, has FERC acted adequately to protect electric reliability? If your answer is yes, please identify the facts that support your view.

Answer: From my perspective, FERC has been relatively passive in its interactions with EPA. It seems there is deep concern that voicing reasonable questions about the effectiveness of the CPP will have negative consequences for anyone who dares.

It's worth reiterating that these are EPA rules, not FERC rules, so the onus is on EPA to include FERC in this effort. The technical conferences are a good start for FERC to more fully analyze the CPP. Hopefully these conferences will allow the final rule to be improved.

Sincerely,

Philip Moeller

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